

Message Text

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ORIGIN COME-00

INFO OCT-01 NEA-10 ISO-00 EB-08 INT-05 OES-06 L-03 TRSE-00
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DRAFTED BY COM/BIC/CAGNE/GBECK
APPROVED BY EB/OCA/CD:WERAU
COM/BIC/CAGNE/PBHALE
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STATE/NEA/ARP/JLYLE
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NEA/RA;DMORRISON (INFO)
-----212349Z 004023 /61
P 212239Z JAN 77
FM SECSTATE WASHDC
TO AMEMBASSY ABU DHABI PRIORITY
AMEMBASSY DOHA PRIORITY

UNCLAS STATE 014260

E.O. 11652: N/A

TAGS: BEXP, TC, QA

SUBJECT: PROMOTION OF SALE OF U.S. DESALINIZATION PLANT

1. PHIL STEVENS, PRESIDENT OF ULTRA SYSTEMS OF CALIFORNIA HAS CONTACTED DEPARTMENTS OF COMMERCE AND STATE CONCERNING HIS EFFORTS TO SELL TO SOME MIDDLE EASTERN GOVERNMENT OR AUTHORITY A WATER DESALINIZATION PLANT BUILT ACCORDING TO THE MOST MODERN U.S. TECHNOLOGY. THIS PLANT, WHICH HAS BEEN IN OPERATION UNTIL RECENTLY, HAS A CAPACITY OF 3 MILLION GALLONS PER DAY, EXPANDABLE TO 10.4 MILLION GALLONS AND CAN PRODUCE FRESH WATER AT CONSIDERABLY LESS THAN 1 US CENT PER GALLON. THE PLANT WAS DEVELOPED WITH U.S. DEPARTMENT OF INTERIOR SUPPORT AND INSTALLED AS AN OPERATING MODULE OF AN ADVANCED TECHNOLOGY UNIT IN THE ORANGE COUNTY
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WATER DISTRICT OF CALIFORNIA, REPORTEDLY AT A TOTAL DEVELOPMENT COST OF 27 MILLION DOLS. HOWEVER, GIVEN THE

PRESENT HIGH COST OF NATURAL GAS IN THE U.S. AND THE PROSPECT OF CONTINUALLY RISING PRICES, THE PLANT'S OPERATION IN THE U.S. HAS BECOME ECONOMICALLY UNFEASIBLE. WHEN THE PLANT CEASED OPERATIONS AND WAS OFFERED FOR SALE,

ULTRA SYSTEMS WHICH IS ENGAGED IN SAFETY ENGINEERING AND ENVIRONMENTAL TECHNOLOGY TOOK AN OPTION ON THE PLANT WITH A PLAN TO DISMANTLE IT AND REASSEMBLE IT IN THE COUNTRY

OF A PROSPECTIVE PURCHASE IN THE MIDDLE EAST. A CREDIT REPORT OBTAINED ON ULTRA SYSTEMS INDICATES THAT IT IS A WELL-ESTABLISHED FIRM WITH A GOOD RECORD OF OPERATIONS. MR. STEVENS HAS BEEN EXPLORING THE SALE OF THE PLANT TO IRAN OVER THE PAST MONTH WITH NO CONCLUSIVE RESULTS AND WISHES NOW TO OFFER THE PLANT TO QATAR AND SHARJAH.

2. CAGNE HAS CONFIRMED THROUGH DISCUSSIONS WITH OFFICE OF WATER RESEARCH TECHNOLOGY OFFICIALS IN THE DEPARTMENT OF INTERIOR THAT THIS IS GENUINE OPPORTUNITY FOR SOME MIDDLE EASTERN USER. OWRT OFFICIALS INDICATE THAT THE SALE OF THIS UNIT COULD ACCOMPLISH THE FOLLOWING BENEFICIAL OBJECTIVES; (1) INTRODUCE EXCELLENT CURRENT U.S. DESALINIZATION TECHNOLOGY IN THE MIDDLE EAST THROUGH THE RELATIVELY QUICK SUPPLY OF USEFUL PLANT, WELL BELOW DEVELOPMENT COSTS; (2) RELIEVE THE USG OF A COSTLY POTENTIAL CLAIM BY THE ORANGE COUNTY WATER DISTRICT FOR FAILURE TO CARRY OUT CERTAIN PERIPHERAL OBLIGATIONS BECAUSE OF LACK OF CONGRESSIONAL FUNDING.OWRT OFFICIALS CLAIM THAT ORANGE COUNTRY IS ANXIOUS TO SELL THE PLANT AS AN ALTERNATIVE TO FILING SUIT AGAINST THE USG AND THAT THE ENTIRE TRANSACTION OF TRANSFERRING TITLE OF USG OWNED PROPERTY COULD BE ACCOMPLISHED EXPEDITIOUSLY AS ALL LEGAL AND ADMINISTRATIVE OBSTACLES HAVE ALREADY BEEN CLEARED. NEVERTHELESS, IF POST CONSULTED UNCLASSIFIED

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ON THIS ASPECT OF MATTER, IT MIGHT BE WELL TO URGE LOCAL PROSPECTIVE PURCHASERS TO EMPLOY U.S. LEGAL COUNSEL TO EVALUATE WHETHER UNFORESEEN LEGAL DIFFICULTIES COULD ARISE.

3. ACTION FOR DOHA: MR. STEVENS REQUESTS EMBASSY ASSISTANCE IN ARRANGING AN APPOINTMENT WITHIN A WEEK OR SO WITH SHAIKH ABH-AL-AZIZ, MINISTER OF ELECTRICITY AND WATER OR THE MINISTER OF PUBLIC WORKS TO DISCUSS SALE OF THE PLANT. STEVENS HAS CHOSEN QATAR AS ONE OF THE MOST LIKELY COUNTRIES FOR SALE ON THE ADVICE OF HIS GOOD FRIEND, WILLIAM PEREIRA OF PEREIRA CONSTRUCTION CO., WHO HAS OFFERED HIS GOOD OFFICES IN QATAR. PLEASE ADVISE IF THIS INTERVIEW CAN BE ARRANGED.

ACTION FOR ABU DHABI: STEVENS ALSO PURSUING SALE OF PLANT TO SHARJAH THROUGH BERT PAFF, FINANCIAL ADVISOR TO THE RULER, BUT PAFF HAS BEEN UNCOMMUNICATIVE RECENTLY. STEVENS WOULD LIKE TO VISIT EMBASSY DURING DOHA TRIP TO SEEK ITS ASSISTANCE IN EXPLORING SALES PROSPECTS SHARJAH OR ELSE-

WHERE IN UAE. EMBASSY REQUESTED COMMENT ON UTILITY OF
PROPOSED VISIT TO EMBASSY, EXTENT TO WHICH IT IS PREPARED
TO ASSIST HIM, AND AMOUNT OF TIME HE SHOULD BE PREPARED TO
SPEND TO RUNDOWN UAE SALES POSSIBILITY.
HABIB

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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Event:
Disposition History: n/a
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Subject: PROMOTION OF SALE OF U.S. DESALINIZATION PLANT
TAGS: BEXP, TC, QA
To: ABU DHABI DOHA
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/1ccbb7d2-c288-dd11-92da-001cc4696bcc
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